



## Financial Action Task Force on Money Laundering

Groupe d'action financière sur le blanchiment de capitaux

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### What is the FATF?

The Financial Action Task Force (FATF) is an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing. The Task Force is therefore a "policy-making body" which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

The FATF monitors members' progress in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally. In performing these activities, the FATF collaborates with other international bodies involved in combating money laundering and the financing of terrorism.

The FATF does not have a tightly defined constitution or an unlimited life span. The Task Force reviews its mission every five years. The FATF has been in existence since 1989, and it has been agreed that its current mandate extends through the end of 2004. It will only continue to exist and to perform its function after this date provided the member governments agree that this is necessary.

### History of the FATF

In response to mounting concern over money laundering, the Financial Action Task Force on Money Laundering (FATF) was established by the G-7 Summit that was held in Paris in 1989. Recognising the threat posed to the banking system and to financial institutions, the G-7 Heads of State or Government and President of the European Commission convened the Task Force from the G-7 member States, the European Commission, and eight other countries.

The Task Force was given the responsibility of examining money laundering techniques and trends, reviewing the action which had already been taken at a national or international level, and setting out the measures that still needed to be taken to combat money laundering. In April 1990, less than one year after its creation, the FATF issued a report containing a set of Forty Recommendations, which provide a comprehensive plan of action needed to fight against money laundering.

During 1991 and 1992, the FATF expanded its membership from the original 16 to 28 members. Since then FATF has continued to examine the methods used to launder criminal proceeds and has completed two rounds of mutual evaluations of its member countries and jurisdictions. It has also updated the Forty Recommendations to reflect the changes which have occurred in money laundering and has sought to encourage other countries around the world to adopt anti-money laundering measures.

In 2001, the development of standards in the fight against terrorist financing was added to the mission of the FATF. For more information on the FATF's role in this area, please see "The Eight Special Recommendations" below.

For more detailed information on the history of the FATF, see the individual [FATF annual reports](#) which may be consulted through the [FATF Documents](#) page.

### **The FATF Forty Recommendations: A Global Framework for Combating Money Laundering**

The [Forty Recommendations](#) set out the framework for anti-money laundering efforts and are designed for universal application. They provide a complete set of counter-measures against money laundering covering the criminal justice system and law enforcement, the financial system and its regulation, and international co-operation.

The Forty Recommendations have been recognised, endorsed, or adopted by many international bodies. The Recommendations are neither complex nor difficult, nor do they compromise the freedom to engage in legitimate transactions or threaten economic development. They set out the principles for action and allow countries a measure of flexibility in implementing these principles according to their particular circumstances and constitutional frameworks. Though not a binding international convention, many countries in the world have made a political commitment to combat money laundering by implementing the Forty Recommendations.

Initially developed in 1990, the Recommendations were revised for the first time in 1996 to take into account changes in money laundering trends and to anticipate potential future threats. More recently, the FATF has completed a thorough review and update of the [Forty Recommendations \(2003\)](#). The FATF has also elaborated various Interpretative Notes which are designed to clarify the application of specific Recommendations and to provide additional guidance.

### **The Eight Special Recommendations on Terrorist Financing**

After the tragic events that took place in the United States on 11 September 2001, governments world-wide called for an immediate and co-ordinated effort to detect and prevent the misuse of the international financial system by terrorists. The European Union Finance and Economics Ministers and the G-7 Finance Ministers suggested, for example, that such an initiative be pursued in the framework of measures already taken by the international community to combat money laundering.

At an extraordinary plenary meeting on the financing of terrorism held in Washington, DC, in October 2001, the FATF thus expanded its mission beyond money laundering to focus its energy and expertise on a world-wide effort to combat terrorist financing. The FATF issued new international standards for combating terrorist financing – the [Eight Special Recommendations](#) – and called on all countries to adopt and implement them. Implementing these Special Recommendations will deny access for terrorists and their supporters to the international financial system. For more information on the decisions of

the extraordinary Plenary and the Special Recommendations, see the page on [terrorist financing](#).

## Monitoring the Implementation of the Forty Recommendations

FATF member countries are strongly committed to the discipline of multilateral monitoring and peer review. The self-assessment exercise and the mutual evaluation procedure are the primary instruments by which the FATF monitors progress made by member governments in implementing the FATF Recommendations.

In the self-assessment exercise, every member country provides information on the status of its implementation of the Forty Recommendations and Eight Special Recommendations by responding each year to a standard questionnaire. This information is then compiled and analysed, and provides the basis for assessing the extent to which the Recommendations have been implemented by both individual countries and the group as a whole.

The second element for monitoring the implementation of the Forty Recommendations is the mutual evaluation process. Each member country is examined in turn by the FATF on the basis of an on-site visit conducted by a team of three or four selected experts in the legal, financial and law enforcement fields from other member governments. The purpose of the visit is to draw up a report assessing the extent to which the evaluated country has moved forward in implementing an effective system to counter money laundering and to highlight areas in which further progress may still be required.

The mutual evaluation process is enhanced by the FATF's policy for dealing with members not in compliance with the Forty Recommendations. The measures contained in this policy represent a graduated approach aimed at reinforcing peer pressure on member governments to take action to tighten their anti-money laundering systems. The policy starts by requiring the country to deliver a progress report at plenary meetings. Further steps include a letter from by the FATF President or sending a high-level mission to the non-complying member country. The FATF can also apply Recommendation 21, which results in issuing a statement calling on financial institutions to give special attention to business relations and transactions with persons, companies and financial institutions domiciled in the non-complying country. Then, as a final measure, the FATF membership of the country in question can be suspended.

Summaries of each mutual evaluation are contained the FATF Annual Report for the year in which the evaluation took place. You may access these summaries through the [FATF Documents](#) page or through individual pages of [FATF member jurisdictions](#).

## The FATF Mission and Objectives

According to the current mandate of the FATF, which began in July 1998, the Task Force focuses on the following major tasks:

- (a) Spreading the anti-money laundering message to all continents and regions of the globe.

*FATF fosters the establishment of a world-wide anti-money laundering network based on appropriate expansion of its membership, the development of regional anti-money laundering bodies in the various parts of the world, and close co-operation with relevant international organisations.*

- (b) Monitoring the implementation of the [Forty Recommendations](#) in FATF members.

*All member countries have their implementation of the Forty Recommendations monitored through a two-pronged approach: an annual self-assessment exercise and the more detailed mutual evaluation procedure.*

- (c) Reviewing money laundering trends and countermeasures ("[typologies](#)" exercise).

*Money laundering is an evolving activity, the trends of which will continue to be monitored. FATF members gather information on and knowledge of money laundering trends (e.g. the use by criminals of sophisticated and complex ways to legitimise illegal assets, the professionalism of the process, the use of various sectors of the financial system and of the economy, and the recourse to new geographical routes) so as ensure that the Forty Recommendations remain up to date and effective.*

As was mentioned above, the FATF has taken on new missions and initiatives since this mandate was agreed. Notably in the area of terrorist financing and the identification of non-cooperative countries and territories (NCCTs), the FATF has devoted considerable effort during the past several years. For more information on this issues, please consult the specific pages on this site dealing with [terrorist financing](#) and [NCCTs](#).

### **Programme of Work for FATF-XV (2003 -2004)**

The FATF is developing its programme of work for FATF-XV under the Swedish Presidency. This programme will be finalised and agreed upon at the 1-3 October 2003 Plenary meeting. Details on the programme for FATF-XV will be available after that date.

For the most recent speech of the FATF President, Mr. Claes Norgren, [click here](#).

### **Other Regional and International Anti-Money Laundering Initiatives**

Several regional or international bodies such as the [APG](#) (Asia/Pacific Group on Money Laundering), [CFATF](#) (Caribbean Financial Action Task Force), the [ESAAMLG](#) (Eastern and Southern Africa Anti-Money Laundering Group), [GAFISUD](#) (Financial Action Task Force for South America), the [MONEYVAL Committee](#) of the Council of Europe (the Select Committee of experts on the evaluation of anti-money laundering measures) and the [OGBS](#) (Offshore Group of Banking Supervisors), either exclusively or as part of their work, perform similar tasks for their members as the FATF does for its own membership.

This co-operation forms a critical part of the FATF's strategy to ensure that all countries in the world implement effective counter-measures against money laundering. Thus the the APG, the CFATF, GAFISUD, the MONEYVAL Committee and OGBS carry out mutual evaluations for their members, which assess the progress they have made in implementing the necessary anti-money laundering measures. In the same vein, APG, CFATF and the MONEYVAL also review regional money laundering trends.

Further regional anti-money laundering groups and initiatives are being advanced in Africa and South America. Finally, the FATF works closely with other international organisations which carry out anti-money laundering initiatives.

For more information on some of the key documents of these regional and international initiatives, see [Other Initiatives](#).

### **Decision-Making Process and Meetings of the FATF**

FATF is a multidisciplinary body which meets on a regular basis several times each year and which brings together the policy-making power of legal, financial and law enforcement experts.

- The policy direction and initiatives of the FATF are discussed during Plenary meetings. Discussions cover issues such as the analysis of money laundering and terrorist financing trends and counter-measures, monitoring the implementation of necessary measures within the FATF, and the activities to foster the establishment of a world-wide network for combating money laundering and terrorist financing. There are three Plenary meetings each year (the FATF year begins in July, and the meetings are normally held in September/October, February and June). See [Events](#).

- Money laundering and terrorist financing techniques are examined each year at a "typologies" meeting. This provides a forum for law enforcement and regulatory experts from FATF member countries, together with certain international organisations and bodies, as well as representatives from other countries, to discuss the prevailing methods, the emerging threats, and any effective countermeasures that have been developed. See also [Events](#).
- Ad Hoc Groups covering special topics that require more detailed analysis are held in the margins of FATF Plenary meetings. Such groups have specific mandates and report to each Plenary regarding their work.
- The FATF also holds a Financial Services Forum every two years with national and international representatives of the financial services sector and other relevant professional or business interests to discuss topics of common concern.

Decisions are made on the basis of papers prepared by the Secretariat or based on written or oral reports from delegations. The decision making process within the FATF is based on consensus and thus all members actively work to reach agreement on the many issues with which they have to deal. The two official languages of the FATF are English and French.

## Members and Observers

The FATF membership is currently made up of thirty-one countries and territories, and two regional organisations. For a list of the current members and or more on the status of each regarding compliance with anti-money laundering measures, relevant legislation, and other related information, see [Members & Observers](#).

The FATF works in close co-operation with a number of international and regional bodies involved in combating money laundering. For more information on the bodies which currently have observer status with the FATF, see [Members & Observers](#).

## Presidency and Secretariat of the FATF

The Presidency of the FATF is a one-year position held by a high-level government official appointed from among the FATF members. Countries which have held the Presidency in the past are France (for the first two years); Switzerland; Australia; the United Kingdom; the Netherlands; the United States; Italy; Belgium; Japan; Portugal; Spain; Hong Kong, China, and Germany. The current President (since 1 July 2003) is Mr. Claes Norgren, Director General at the Ministry of Finance in Sweden. France will hold the FATF Presidency for 2004-2005 (FATF-XVI).

A small specialised Secretariat unit services the Task Force and assists the President. It is housed at the headquarters of the Organisation for Economic Co-operation and Development (OECD) in Paris, France. Although the FATF Secretariat is based at the OECD, the FATF itself, being an independent international body, is not a part of OECD.

## FATF Publications

Each year in February, the FATF releases its report on developments in world-wide money laundering trends, techniques and counter-measures (the [typologies reports](#)). At the end of June, the [FATF annual report](#) is published, setting out the work and activities of the FATF during the year. The FATF has published the [Forty Recommendations](#) and the [Eight Special Recommendations](#) (in English and French). These documents as well as other material on the FATF, its members and observers, and relevant anti-money laundering initiatives may be accessed from pages located elsewhere on this site ([FATF Documents](#), [Members & Observers](#), [Other Initiatives](#), etc.).

## News Releases

Click [here](#) to go to the FATF home page for the most recent FATF news releases. A

selection of earlier FATF news releases is available for consultation in the [News Release Archive](#).

For further information on the FATF and its work, contact the [FATF Secretariat](#).